

Prison Industries and Farms

Mission

The mission of PEN Products is to obtain a return on investment so offender jobs can be established and maintained.

Summary of Activities

PEN Products manages thirteen manufacturing locations and two farm operations in thirteen Department of Correction facilities throughout the state. PEN Products' operating expenses are funded by the sale of the products with no operating money received from the state general fund. The 2,090 offenders employed in these operations work in meaningful positions, while learning job skills and a work ethic. Offender employment is crucial to a correctional operation as it reduces inmate idleness. Idleness reduction preserves state property and promotes a safer environment for both the 232 PEN Products' employees and the offender population.



Traditional industries are the largest business group, with 751 offenders employed. These industries produce license plates, metal furniture, offender clothing, janitorial products, office furniture, mattresses, printing, highway signs, park furniture, picnic tables, and shelter houses. The majority of these products are sold to state agencies, cities, and counties. Traditional industries represent 65% of PEN Products' revenue.

The farm and food business group is the second largest in revenue employing 616 offenders. The farm and food group is organized into three business segments: 1) farming operations, which produce grain, vegetables, beef cattle, and timber; 2) food processing, which produces baked goods, cottage cheese, frozen beef, poultry products, frozen fruits and vegetables, milk, and flavored drinks, and 3) food service operations. The farm and food group represents 27% of PEN Products' revenue. Business in the farm and food group is growing and is expected to continue to grow in the future. The newest growth segment in this group is food service. PEN Products now operates food service at two DOC facilities and has plans to assume management of at least two more per year for the next 5 years.

Partnerships with private businesses employ 723 offenders including commercial laundry, pallet repair, commercial packaging, coil assembly, wire harness production, data conversion-Geographic Information Systems (GIS), contract sewing, hickory furniture manufacturing, the painting of duck decoys, and the re-manufacturing of auto parts. These items are sold to the private sector, either through the federal prison industry enhancement program or as services. These partnerships with private businesses represent 7% of PEN Products' revenue.

External Factors

There are three primary external factors that affect PEN Products: offender population growth, procurement law changes, and other state agency policy changes.

The most significant is the growth of the offender population. From 1996 to 1999, the offender population grew 6% per year. PEN Products must continually find either new industries or grow current industries to provide additional offender jobs.

Changes in the procurement use law have had an impact on PEN Products as well. For example, the last change statutory required prison-made products to be sold at a fair market price. This has caused the elimination of some products and some product lines. While in the short term this had a negative impact on offender employment, in the long term it has help focus PEN offender employment in more meaningful jobs.

Changes in agency policies also have impacted PEN Products. A good example of this can be seen in license plate production. Twelve years ago, plates were replaced every year. That requirement changed to a three-year cycle, then subsequently changed again to a five-year cycle. This impacted inmate employment significantly in non-plate production years. Additionally, the change from the embossed plate to the flat plate in 2003 renewal year has required a significant investment in equipment, software, and staff to implement this change. These agency changes impact PEN Products' ability to maintain self-sufficiency and expected return on investment.

Evaluation and Accomplishments

The continued growth in offender population requires a corresponding increase in the availability of offender jobs. During 2001-2003, 225 offender jobs were added, a 12% increase, which exceeded the overall growth rate of the offender population. The number of joint ventures with private sector businesses increased, as did the farm and food group.

PEN Products continues to fund current operations from revenues generated thorough the sales of products, without an appropriation from the state General Fund. PEN Products had its highest revenue year in 2003, generating sales of over \$46 million.

Plans for the Biennium

PEN Products has four primary objectives: 1) implement the Offender Employment Operating Standard in the food service operations as well as the other traditional industries and farms sites that do not have them; 2) start up PEN Products' new business segment, commissary/distribution, in which PEN Products will offer new services to its customer base; 3) increase offender employment by 8% in each year of the biennium by continuing vertical integration in PEN's farm and food group, growth in joint ventures with the private sector, and the introduction of new products in PEN's traditional industries, and, 4) continue to fund PEN's operations, including growth without a general fund appropriation.

